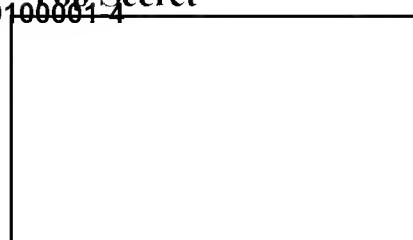




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*Monday
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The Overnight Reports, printed on yellow paper as the final section of the Daily, will often contain materials that update the Situation Reports and Briefs and Comments.

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BRIEFS AND COMMENTS

SOUTH AFRICA: Planning for Rhodesian Refugees

The South Africans have set up a committee composed of senior military, foreign affairs, intelligence, health and social welfare officials to prepare for the arrival of a large number of both black and white Rhodesian refugees

[redacted]

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The South Africans have traditionally taken a very pessimistic view of the Rhodesian security situation. In 1974 and 1975, the South African Government was caught short by the unexpected number of refugees who fled Angola and Mozambique after independence; the South Africans obviously intend to be better prepared for a serious breakdown of law and order in Rhodesia, which they evidently believe will occur eventually.

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The South Africans have been careful to avoid a military alliance with the Rhodesians, and there is no indication that the present planning entails any military involvement inside Rhodesia other than rescue operations or any coordination with Rhodesian officials.

[redacted]

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[redacted]

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LEBANON: Government Finances and the Economy

The Lebanese Government is in an extremely strong financial position even though the productive capacity of the economy has been severely damaged since the outbreak of civil war in 1975. Despite the disruptions caused by the fighting, remittances from Lebanese living abroad and money flows to armed groups in Lebanon have enabled Beirut to accumulate \$2.3 billion in foreign exchange reserves. If an internal agreement can ever be reached, foreign exchange reserves, idle deposits in the banking system, and foreign aid will provide a pool of funds to finance the reconstruction effort.

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The government estimates that physical damage during the 1975-76 civil war totaled \$2.5 billion at original cost and \$3.5 billion to \$4 billion at replacement cost. Additional damage was inflicted in the sporadic fighting that erupted last year. Transportation and communications networks, housing, and commercial property have suffered extensive physical damage. Rebuilding efforts thus far have been stymied by the uncertain political and security situation.

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Government revenues in recent years have been only a fraction of their prewar level; the government has relied on customs duties for almost all its cash. Government spending, which has primarily been limited to payments of wages to the army and the civil service, has also fallen. The public deficit has increased in recent years, but financing it has not been a problem. Deposits accumulated prior to the war and central bank advances covered the 1975-76 shortfalls. The government recently has tapped the large reservoir of bank liquidity by selling treasury bonds to Lebanese banks and has been able to obtain extremely low interest rates.

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Despite existing political conditions, the government hopes to begin rebuilding the economy this year and has drawn up a five-year reconstruction program to present to the next meeting of Arab finance ministers. The government has placed a high priority on projects in relatively peaceful areas in the hope that success there will spread.

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OVERNIGHT REPORTS

(The items in the Overnight Reports section have not been coordinated within the intelligence community. They are prepared overnight by the Office of Current Operations with analyst comment where possible from the production offices of NFAC.)

Iran

The Marxist terrorist group known as Chariks apparently controlled Tehran Radio overnight, according to wire service accounts. They broadcast two calls early this morning for aid to their comrades who were allegedly fighting Imperial Guards and "US troops" in north Tehran. Thousands of armed supporters moved into the area--an upper-class neighborhood where most Americans live--in the hour before the radio broadcast a denial of any US involvement, according to a press report. Prime Minister Bakhtiar's political status and whereabouts are still unknown. His house was reportedly set afire last night.

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USSR-India

Soviet media announced Saturday that Premier Kosygin will make an official visit to India "during the first half of March." The US Embassy in Moscow believes Kosygin has replaced President Brezhnev in making the trip for reasons presumably related to the latter's health or schedule.

COMMENT: Kosygin's trip will occur not long after Indian Foreign Minister Vajpayee's official visit to China, the first there by a ranking Indian official since the Sino-Indian war in 1962. The Soviets clearly want a reading on prospects for improved relations between those Asian states. Brezhnev may also wish to leave open the option of a visit to Washington next month.

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South Korea - North Korea

Seoul today proposed that the vice chairmen of the North-South Coordination Committee meet at Panmunjom on Saturday to discuss "necessary questions" related to resuming meetings of the Committee, which has not formally convened since June 1973. The North Koreans' latest proposal--reiterated today on Pyongyang radio--is that liaison representatives meet at Panmunjom on 20 February to look into prospects for "forming a preparatory committee for national reunification." Today's South Korean statement criticized the North Koreans' lack of interest in the framework provided by the Coordination Committee. [redacted]

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West Germany

In a preliminary analysis, the US Embassy in Bonn concludes that the debate within the government on gray area systems will not materially alter the prospects for West German interest in the modernization of theater nuclear forces to match the Soviet buildup and in gray area negotiations within a SALT III context. According to the Embassy, Social Democratic parliamentary leader Wehner initiated the debate in part to maintain the internal coherence of his--and Chancellor Schmidt's--party on the sensitive issue and in part to sustain detente. The Embassy believes that the debate likely will reinforce the Schmidt government's insistence that other NATO nations share the risks of modernized theater nuclear forces. [redacted]

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EC

Agriculture ministers of the EC Nine are holding a special meeting in Brussels today in a further effort to resolve the differences that have delayed the official start of the European Monetary System since 1 January. The ministers met for two days early last week, and a Western wire service late last night reported from Brussels that EC officials have become "slightly more optimistic" that an agreement can be reached, although probably not at today's session. [redacted]

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[redacted]

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France-USSR

According to press reports, French Foreign Minister Francois-Poncet arrived in Moscow yesterday to commence an official two-day visit. [redacted]

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COMMENT: Francois-Poncet's primary mission is to further the preparations for President Giscard's trip to the USSR late next month. [redacted]

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